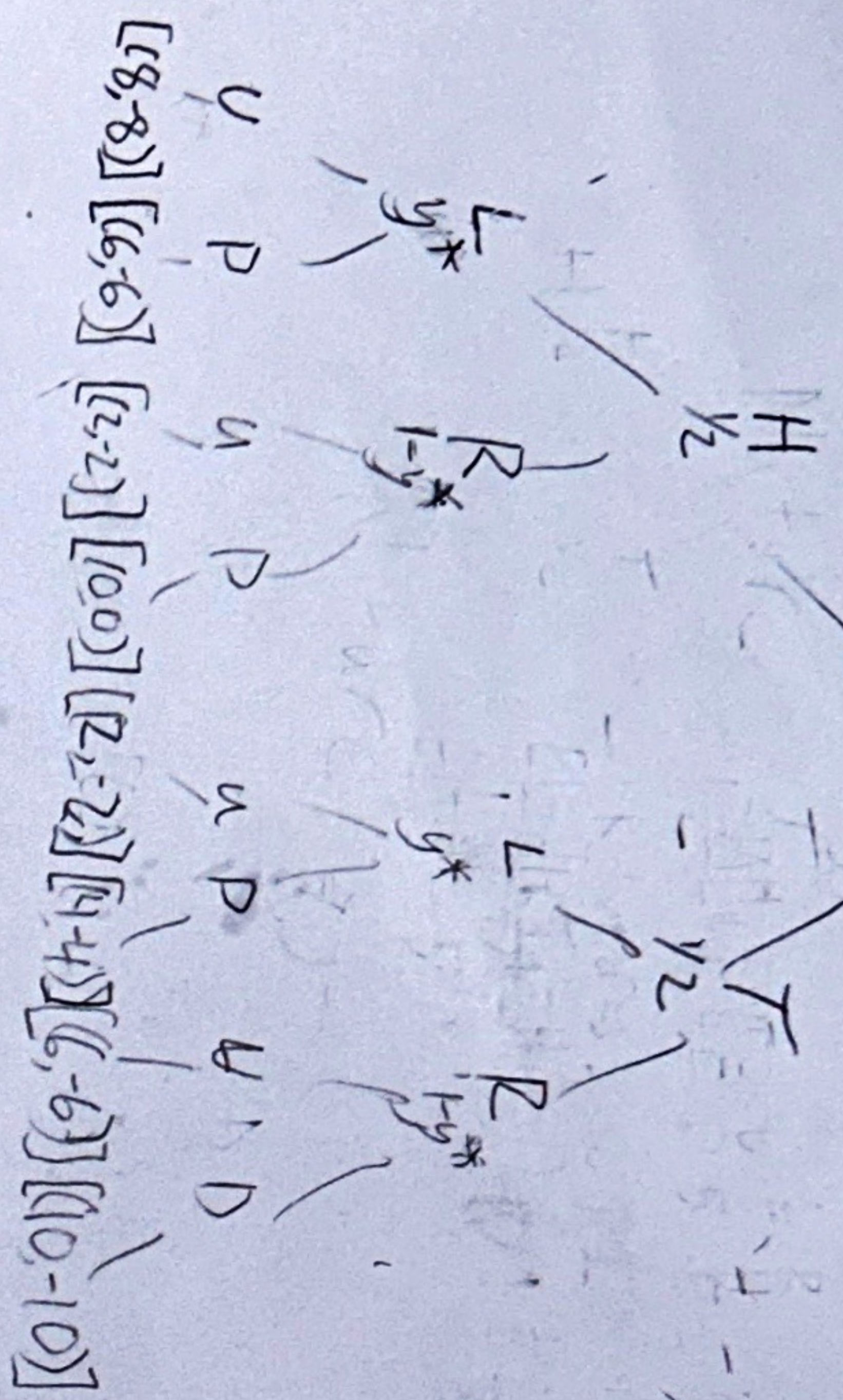


a)

Nature



$$E[L] = -6$$

$$E[R] = -6$$

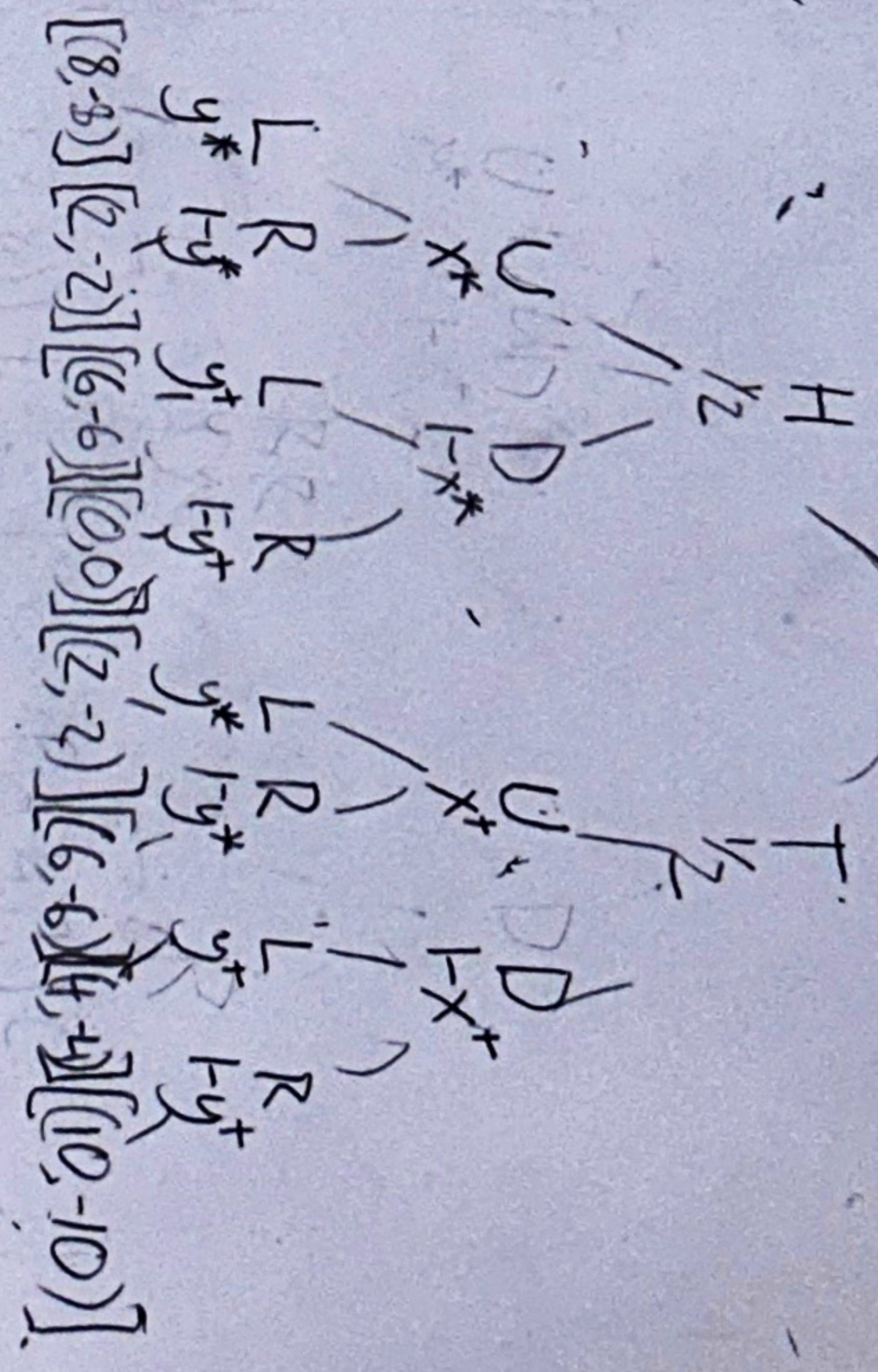
U^H dominates D^H
 D^T dominates U^T

	L	R
U^H	6	6
D^T	6	6

$$V = 6$$

b)

Nature



$$E[U|H] = 6y^* + 2$$

$$E[D|H] = 6y^+$$

$$E[U|T] = 6 - 4y^*$$

$$E[D|T] = 10 - 6y^+$$

$$E[L|U] = -4x^* - 1x^+$$

$$E[L|D] = -5 + 3x^* - 2x^+$$

$$E[R|U] = -1x^* - 3x^+$$

$$E[R|D] = -5 + 5x^+$$

$$E[U|H] \neq E[D|H]$$

$$\Rightarrow y^* > y^+ - \frac{1}{3}$$

$$E[U|T] > E[D|T]$$

$$y^* < \frac{3}{2}y^+ - 1$$

$$y^* = \frac{1}{2}$$

$$y^+ = 1$$

$$x^* = \frac{1}{5}$$

$$x^+ = \frac{1}{5}$$